

## Message Text

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AMEMBASSY JAKARTA  
AMEMBASSY KINSHASA  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY LAGOS  
AMEMBASSY LA PAZ  
AMEMBASSY LONDON  
AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS: EMIN, ITC

SUBJECT: ITC TIN PRODUCER GOVERNMENTS MAKE DEMARCHE ON  
GSA TIN DISPOSALS

1. LED BY PROFESSOR M. KATILI, INDONESIAN DIRECTOR  
GENERAL FOR MINING AND ENERGY, AN EIGHT-MAN DELEGATION FROM  
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SIX ITC TIN PRODUCING GOVERNMENTS ON JUNE 29-30 CALLED ON  
ASSISTANT SECRETARY KATZ AND OTHER ADMINISTRATION OFFICIALS  
TO SUBMIT A MEMORANDUM OUTLINING THE VIEWS OF SIX OF THE  
SEVEN ITC TIN PRODUCERS ON TIN DISPOSALS. WHILE THE  
BOLIVIANS REFUSED TO BE FORMALLY ASSOCIATED WITH THE MEMO-  
RANDUM, THEY ASSISTED IN ITS PREPARATION, PARTICIPATED ON  
THE PRODUCERS' DELEGATION, AND ADVISED THAT THEY GENERALLY

SUPPORTED THE CONCLUSIONS IN THE MEMORANDUM.

2. IN SUMMARY, THE PRODUCERS' MEMORANDUM REVIEWED THE CURRENT STATUS OF TIN PRODUCTION AND CONSUMPTION, PRICE MOVEMENTS AND CHANGES IN COSTS OF PRODUCTION OVER THE PAST FOUR YEARS. IT OUTLINED THE HISTORY OF PAST GSA TIN DISPOSALS AND NOTED THE DAMAGE THAT DISPOSALS COULD CAUSE TO THE TIN PRODUCTION INDUSTRY AND TO TIN PRODUCING NATIONS. IT NOTED THE NEED FOR A STABLE INVESTMENT ENVIRONMENT OVER THE MEDIUM TO LONG-TERM AND OUTLINED THREE AREAS WHERE THE GSA TIN STOCKPILE CREATES UNCERTAINTY--A) THE CHANGING

OF STRATEGIC OBJECTIVES, WHICH HAS MADE UNCERTAIN THE TOTAL AMOUNT OF TIN AVAILABLE FOR DISPOSAL; B) THE PATTERN OF DISPOSALS, WHICH HAS VARIED CONSIDERABLY; AND C) THE UNCERTAINTY OF CONGRESSIONAL INTENTIONS ON DISPOSALS, WHICH HAS CONFUSED THE MARKET.

3. THE MEMORANDUM FURTHER NOTED THE U.S. TREATY OBLIGATION UNDER THE FIFTH ITA TO CONSULT WITH THE ITC ON DISPOSALS. IT REVIEWED PART OF THE HISTORY OF PAST DISPOSALS AND COMMENTED FAVORABLY ON THE ESTABLISHMENT BY THE ITC IN APRIL OF A WORKING PARTY ON DISPOSALS. WHILE RECOGNIZING U.S. SOVEREIGNTY ON DISPOSAL MATTERS AND THAT FORMAL CONSULTATIONS CAN BE INITIATED ONLY AFTER CONGRESS AUTHORIZES A DISPOSAL, IT NOTED THE PRODUCERS' BELIEF THAT THEIR VIEWS

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ON DISPOSALS SHOULD BE BROUGHT TO U.S. ATTENTION PRIOR TO THE PASSAGE OF DISPOSAL LEGISLATION AND BEFORE FORMAL CONSULTATIONS BEGIN.

4. THE MAIN THRUST OF THE MEMORANDUM WAS THAT DISPOSALS WOULD APPEAR TO BE INAPPROPRIATE IN 1978 AND 1979 GIVEN THE NARROWING GAP BETWEEN PRODUCTION AND CONSUMPTION. FURTHER, THE MEMORANDUM OUTLINED THE PRODUCER POSITION THAT IN FORMAL CONSULTATIONS PRODUCERS WOULD BE CONCERNED WITH SPECIFIC DETAILS OF DISPOSALS WITH PARTICULAR RESPECT TO PRICE, QUANTITY, METHOD AND TIMING. IN SUCH CONSULTATIONS PRODUCERS WOULD SEEK TO AVOID A) UNACCEPTABLY LOW PRICES AND SEVERE LOSS OF EXPORT EARNINGS; B) BREAKDOWN OF PRODUCTIVE CAPACITY OR UNWILLINGNESS TO INVEST IN NEW CAPACITY; C) SERIOUS PREJUDICE TO THE OBJECTIVES OF THE ITC.

5. IN HIS RESPONSE, ASSISTANT SECRETARY KATZ:

--INDICATED THAT HE BELIEVED CONGRESS WOULD AUTHORIZE A DISPOSAL THIS YEAR, ALTHOUGH THE TIMING OF SUCH AN AUTHORIZATION AND THE AMOUNT TO BE AUTHORIZED COULD NOT BE

PREDICTED.

-- SAID THAT IF THERE IS AN AUTHORIZATION, THE USG WOULD INITIATE DISPOSALS THIS YEAR SINCE TIN CONTINUES TO BE IN SHORT SUPPLY AND PRICES REMAIN VERY HIGH, WELL ABOVE THE CURRENT ITC CEILING PRICE.

--REITERATED THE U.S. COMMITMENT TO CONSULT ON DISPOSALS BUT NOTED THAT CONSULTATIONS COULD ONLY BE PRODUCTIVE IF PRODUCERS TOOK A CONSTRUCTIVE APPROACH TO SUCH CONSULTATIONS, AS THEY DID IN THE MID-1960'S, BY BEING PREPARED TO ACCEPT DISPOSALS AND WORKING WITH US TO DEVELOP A DISPOSAL PROGRAM WITH A MINIMUM OF DISRUPTION RATHER THAN OPPOSING

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DISPOSALS AND LEAVING IT TO THE U.S. TO UNILATERALLY DEVELOP ITS DISPOSAL PROGRAM AS IN 1973-74.

--AGREED THAT GSA TIN SALES AND THE U.S. CONTRIBUTION TO THE ITC BUFFER STOCK SHOULD BE COORDINATED SO AS TO AVOID MARKET DISRUPTION.

--ACKNOWLEDGED THAT THERE HAS BEEN MINOR MARKET CONFUSION AS A CONSEQUENCE OF CONGRESSIONAL DELIBERATIONS ON TIN DISPOSAL BILLS BUT NOTED THAT BOLIVIA'S LOBBYING ON THE HILL HAS CONTRIBUTED TO THIS CONFUSION.

6. IN THE ENSUING CONVERSATION, THE BOLIVIAN REPRESENTATIVE STATED THAT WHILE HIS GOVERNMENT GENERALLY SUPPORTED THE MEMORANDUM SUBMITTED BY THE OTHER PRODUCERS, IT FURTHER BELIEVED THAT THERE IS AN INTERRELATIONSHIP BETWEEN GSA TIN SALES AND THE ITC PRICE RANGE (I.E., PRESUMABLY THAT THE PRICE RANGE SHOULD BE ADJUSTED SO AS TO CONTROL THE RATE OF GSA TIN SALES) AND URGED THE U.S. TO SUPPORT A PRICE RANGE INCREASE IN JULY. MR. KATZ DENIED A CONNECTION BETWEEN GSA SALES AND THE ITC PRICE RANGE AND STATED THAT THE U.S. WOULD BASE ITS DECISION ON THE PRICE RANGE ON NORMAL ECONOMIC CRITERIA.

7. THE PRODUCER DELEGATION ALSO CALLED ON HELEN JUNZ, TREASURY DEPT. ASST. SECY FOR COMMODITIES AND NATURAL RESOURCES AND DR. GEORGE WELCH, DIRECTOR OF THE FEDERAL PREPAREDNESS AGENCY. THE GROUP ATTEMPTED TO MEET WITH SENATOR HART AND CONGRESSMAN BENNET, CHAIRMAN OF THE SENATE AND HOUSE ARMED SERVICES DISPOSAL SUBCOMMITTEES BUT WERE REFERRED TO STAFF MEMBERS.

8. COMMENT: THE SIX-COUNTRY PRODUCER DEMARCHE WAS ORIGINALLY

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NALLY DESIGNED TO PROVIDE SOME BALANCE TO BOLIVIA'S STRIDENT LOBBYING ON THE HILL IN OPPOSITION TO DISPOSALS. THE MORE MODERATE PRODUCERS HAD INTENDED TO MAKE KNOWN THEIR VIEW THAT THEY DO NOT OPPOSE DISPOSALS BUT ARE CONCERNED WITH THE TIMING AND MANNER OF DISPOSALS. HOWEVER, WE HAVE BEEN ADVISED BY TWO PRODUCERS THAT AT THE FINAL MOMENT, BOLIVIA AGREED TO FORMALLY ENDORSE THE MEMORANDUM IF OTHER PRODUCERS WOULD AGREE TO INCLUSION OF THE STATEMENT THAT DISPOSALS IN 1978 AND 1979 ARE INAPPROPRIATE. -AFTER A SEVEN HOUR MEETING IN WASHINGTON ON JUNE 28, THE OTHER PRODUCERS AGREED TO THE BOLIVIAN REQUEST ONLY TO FIND THAT BOLIVIA IN THE END NOT ONLY REFUSED TO ENDORSE THE MEMORANDUM BUT INSISTED ON PARTICIPATING IN THE MEETINGS AND, AGAINST THE ADVICE OF OTHER PRODUCERS, ATTEMPTED TO MAKE A LINK BETWEEN GSA SALES AND THE ITC PRICE RANGE. WE

UNDERSTAND THAT INDONESIA AND AUSTRALIA, WHICH TOOK THE INITIATIVE IN COORDINATING THE PRODUCER DEMAND AND IN PREPARING THE MEMORANDUM, ARE FURIOUS AT THE BOLIVIANS AND HAVE INDICATED TO US THAT THEY ARE RELUCTANT TO ATTEMPT TO WORK WITH THE BOLIVIANS ON THE DISPOSAL ISSUE IN THE FUTURE.

9. COPIES OF THE PRODUCERS' MEMORANDUM WILL BE POUCHED TO ADDRESSEES. VANCE

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